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Vietnam

Cotton and Products Update

Commodity Report 2016

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Report Highlights:

Post estimates that cotton planted area in Vietnam likely drop to less than 1,000 hectares. Post revised its estimate of cotton imports to Vietnam in MY2015/2016 down 121,000 tons to 998,800 tons (or 4,581 million bales), from the previous forecast of 1.17 million tons, which was calculated based on the average 5-year growth. This situation made cotton exports to Vietnam in MY 2015/2016 up 7% in volume and 1% in value over MY 2014/2015. In MY 2015/2016, U.S. cotton continues to capture the market with a dominant share of 42%. In MY2016/2017, Vietnam's cotton consumption is projected to continue rising at a strong pace.

Commodities:

Cotton

Author defined:**SITUATION AND OUTLOOK*****Textile Industry***

Vietnam is now ranked among the world's top five textile and apparel-exporting countries. Despite difficulties in the global economy, the growth pace of Vietnam exports of textile and apparel products continued strong in calendar year 2015 with an export value of \$27.2 billion - an increase of 9.43 percent over 2014, slightly lower than the \$28-billion target. The United States remains the largest market for the Vietnam textile and garment industry. In 2015, Vietnam garment exports to the U.S. increased 11.5 percent to \$10.9 billion, accounting for 40.3 percent of its total export value. Other important international markets for Vietnam apparel products include the EU (12.5 percent), Japan (10.2 percent) and South Korea (7.8 percent).

Currently, Vietnam's textile and apparel industry continues to experience robust growth due to sizable number of investments from both foreign and local investors. The investment is visible across the supply chain including spinning, weaving and knitting, dyeing and finishing, and garment making. Newly established and expanded investment projects have been made to capture opportunities offered by free trade agreements that Vietnam has signed with its trade partners, such as the Trans-Pacific Partnership Agreement (TPP), the Free Trade Agreement with the EU, the Asian Economic Community (AEC) and FTA Vietnam – Korea. Vietnam's textile and apparel exports in 2016 were projected to rise by 12 percent to \$29.5 billion to \$30 billion. However, statistical data shows that this ambitious target may not be reachable - exports in the first ten months reached \$23.3 or 78.9% of the target. This reality has caused the industry to revise its 2016 export target down to \$28 billion, same as the 2015 target. Additionally, a lower growth rate in the textile and apparel sector is also responsible for the revised export target. In 2017, textile and apparel export growth is projected slightly up from 5% to 7% compared to the industry's routine two-digit growth.

In 2015, foreign direct investment into Vietnam reported by the government reached \$22.75 billion, an increase of 12.5 percent year on year, of which an estimated amount of \$2 billion was channeled into the textile and garment industry. Foreign capital inflows and investments were directed at: Hyosung Dong Nai (Turkish investment capital of \$660 million), Polytex Far Eastern Vietnam (Taiwanese investment capital of \$274 million), Ilshin Vietnam (Korean investment capital \$177 million) and Worldon Vietnam (Hong Kong investment capital of \$160 million). Replacing outdated spindles is increasing the number of new and existing spinning mills being registered in 2016. The increasing number of spindles would also create a strong demand for cotton. It is estimated that Vietnam annual spinning capacity reached 990,000 tons at the end of 2015, up about 10 percent over 2014.

In 2016, FDI flows into Vietnam are reported at \$18 billion, down 10% over the same period last year. Similarly, investment flow into Vietnam's textile and garment industry is also reported less than 2015. However, this decline is not a threat to the industry's development because large investment projects started in 2015 are still under construction.

Table 1: Vietnam Textile/Spinning Industry Overview

	2012	2013	2014	2015	2016*
Total Number of Spindles	5,100,000	6,000,000	6,100,000	6,300,000	6,500,000
Total Number of Rotors	103,348	103,348	103,348	103,348	n.a
Yarn Production from cotton and polyester/rayon (Unit: Ton)	680,000	720,000	930,000	990,000	1,200,000
Yarns Exports (Unit: Ton)	628,000	720,000	858,500	961,800	1,100,000
Yarn Imports (Unit: Ton)	646,000	695,000	740,000	791,800	820,000
Fabric Production (billion m2)	1.0	1.3	3	3	3
Fabric Imports (billion USD)	7.0	8.3	9.4	10.2	10.0

Source: Vietnam Spinning Association (VCOSA), Customs Vietnam and Post's estimate

Vietnam exports about 65 percent of the yarns (including cotton yarn) that it produces to international markets, especially to China, Turkey and South Korea. In CY 2015 yarn export volume was up 12 percent to 961,777 tons, of which 498,100 tons were shipped to China, up 26 percent over 2014; 92,400 tons to Turkey, down 15 percent; and 75,700 tons to Korea, up 12 percent. Yarn exports in the first 10 months of 2016 reached 960,000 tons, up 20% over the same period last year. Post estimates that total yarn exports in CY 2016 will climb to 1.1 million tons, an increase of about 14% year-on-year.

Table 2: Vietnam exports of yarns to worldwide markets (quantity in thousand tons)

Reporting Country	Calendar Year		Year to date			Market share in the first 10 months of 2015	Market share in the first 10 months of 2016
	2014	2015	Jan – Oct 2015	Jan – Oct 2016	% Change		
China	394.7	498.1	412.3	520.6	26.3%	51.8%	54.3%
Turkey	109.2	92.4	78.9	70.4	-10.8%	9.9%	7.3%
Korea (Republic)	67.8	75.7	60.4	92.0	52.3%	7.6%	9.6%
Thailand	31.1	33.4	27.1	28.4	4.8%	3.4%	3.0%
Brazil	24.9	17.1	14.9	20.7	38.9%	1.9%	2.2%
Others	185	209.8	172.5	191.3	10.9%	21.7%	19.9%
Others not listed	45.8	35.2	29.7	36.2	22.0%	3.7%	3.8%
Grand total	858.5	961.8	795.8	959.6	20.6%		

Source: Customs Vietnam and Post's estimate

Table 3: Vietnam imports of yarns from worldwide markets (quantity in thousand tons)

Reporting Country	Calendar Year		Year to date			Market share in the first 10 months of 2015	Market share in the first 10 months of 2016
	2014	2015	Jan – Oct 2015	Jan – Oct 2016	% Change		
China	261.0	301.1	243.1	293.0	20.5%	37.5%	41.6%
Taiwan	208.6	192.7	161.0	159.8	-0.7%	24.8%	22.7%
Thailand	80.0	82.8	66.0	66.3	0.5%	10.2%	9.4%
Korea (Republic)	76.8	79.6	67.0	62.3	-7.0%	10.3%	8.8%
Indonesia	46.7	53.4	42.2	48.3	14.5%	6.5%	6.9%
Others	58.0	69.7	59.0	58.7	-0.5%	9.1%	8.3%
Others not listed	8.9	12.5	10.7	15.8	47.7%	1.6%	2.2%
Grand Total	740	791.8	649.0	704.2	8.5%		

Source: Customs Vietnam and Post's estimate

Cotton Market

Vietnam continues to rely heavily on imported cotton to feed its growing spinning industry. The country's top five cotton suppliers include the U.S., India, Brazil, Australia and Cote d'Ivoire, which have make up 70% to 80% of the total cotton supply. However, Vietnam cotton buyers are looking for other suppliers including Argentina and African countries. Currently, the evidence suggests that import quantity is still negligible from other suppliers. Vietnam is likely to remain the fastest growing cotton consuming country because of several factors – including: reaping the benefits from different sources, increasing cotton yarn imports from international markets, especially from China, Turkey and South Korea, and taking advantage of the opportunities offered by a series of free trade agreements with trading partners. In other words, as Vietnam's textile sector grows - the country will continue to import more cotton in the short to medium term.

PRODUCTION: (see Tables 4 and 5 for details)

Vietnam's Cotton Production in MY 2015/2016

Vietnam's cotton planted area continues to shrink in MY 2016/2017. Post estimates that cotton planted areas at 1,000 hectares. Additionally, reduced planting of cotton as a cash crop is limiting its significant strategic role in the economy. As a result, it is becoming difficult to find hard and reliable data on cotton in ministerial and provincial reports. Declining cotton planted acreage means, Vietnam will soon become a net importer of cotton. There are several reasons that help explain the dramatic decline of cotton planted area in Vietnam:

- 1) International cotton price has dropped in the last few years while local cotton production cost remained uncompetitive.
- 2) Cotton is facing increasingly tougher competition from other cash crops including coffee, cashew, corn, and cassava. These cash crops are more profitable to farmers.
- 3) Lesser incentives offered by state entities and no commitments made by cotton ginning mills to guarantee the farmers' profit
- 4) Increasing investments in cattle livestock in the Central Highland region is taking over lots of cultivated land, including those for cotton plantation; and
- 5) China is importing less cotton and resulting in more exportable supply from international producers (USA, Australian, India, Brazil and Pakistan)

Vietnam's cotton production is negligible, less than 1% of the total market demand. The country depends on imported cotton.

Table 4: Vietnam's Cotton Production (from 2013/14 to 2015/2016)

Description	2013/2014	2014/2015	2015/2016*	% change 2016/15 vs 2014/2015
Crop area (thousand hectares)	2.50	1.20	1.0	-20%
Crop yield (Ton/HA)	1.39	1.38	1.38	-
Seed cotton production (Thousand tons)	3.47	1.66	1.38	-17%
GOR (%)	36.5	36.5	36.5	
Cotton fiber production (thousand tons)	1.27	0.6	0.5	-17%
Bales Equivalent Quantity (1,000 bales, 218kg/bale)	5.82	2.78	2.31	-17%

Source: MARD, GSO, other trade sources and *Post's projection

Table 5: Vietnam's cotton production by region, 2013/2014 – 2015/2016

Growing region	2013/2014			2014/2015			2015/2016*		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
	THA	T/HA	TMT	THA	T/HA	TMT	THA	T/HA	TMT
North East	-	-	-	-	-	-	-	-	-
North West	0.90	1.30	1.17	-	1.30	-	-	-	-
North Central Coast	-	-	-	-	-	-	-	-	-
South Central Coast	0.40	1.45	0.58	0.50	1.45	0.73	-	-	-
Central Highland	1.10	1.40	1.54	0.66	1.40	0.92	1.00	1.38	1.38
South East	0.10	1.40	0.14	-	-	-	-	-	-
Mekong Delta River	-	-	-	0.03	1.40	0.04	-	-	-
Total cotton seed production	2.50	1.39	3.47	1.19	1.38	1.64	1.00	1.38	1.38

Source: MARD, GSO, other trade sources and Post's projection

Note:

- Prod.: Production; THA: Thousand Hectares; T/HA: Ton per Hectare
- TMT: Thousand Tons
- (*): estimates

TRADE:

Vietnam Imports of Cotton by Calendar Year and Vietnam's Primary Cotton Suppliers:

Strong demand for cotton yarns from international markets, especially from China, Turkey and South Korea, is causing Vietnam to import more cotton to feed its growing spinning sector. Total cotton imports in CY 2015 were reported at 1.02 million tons or 4.67 million bales, up 34 percent over the previous CY, which is slightly less than Post's previous estimates of 1.1 million tons (or 5.04 million bales) due to a sudden decline in import volume in the last three months of the calendar year 2015.

Vietnam's cotton imports in the first ten months of 2016 reached 875,000 tons, slightly down 1.1% over the same period last year. Post forecasts Vietnam's total imports of cotton in CY 2016 will be flat at 1.05 million tons.

The United States has topped the list of cotton suppliers to Vietnam for nearly a decade. U.S. cotton exports to Vietnam in calendar 2015 totaled 432,000 tons for a value of \$623.6, up 97% in volume and 59% in value. The U.S. market share went up to 42.6 percent from 28.9 percent in the CY 2014, reflecting its commitment in dealing with tougher competition from other major cotton suppliers, such as India, Australia and Brazil. Statistical data in the first ten months of CY 2016 showed that the U.S., Brazil, Australia, Argentina and Indonesia experienced positive growth in exporting cotton to Vietnam, while export volumes for all other countries fell. Refer to Table 6 below for further details:

Table 6: Import Trade Matrix

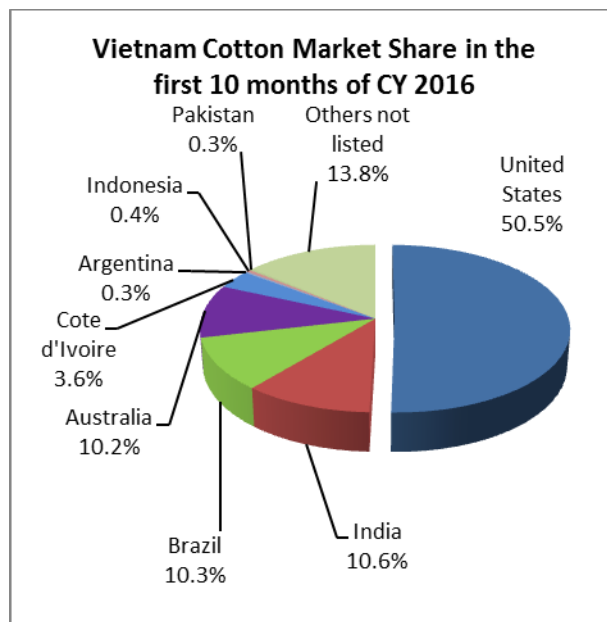
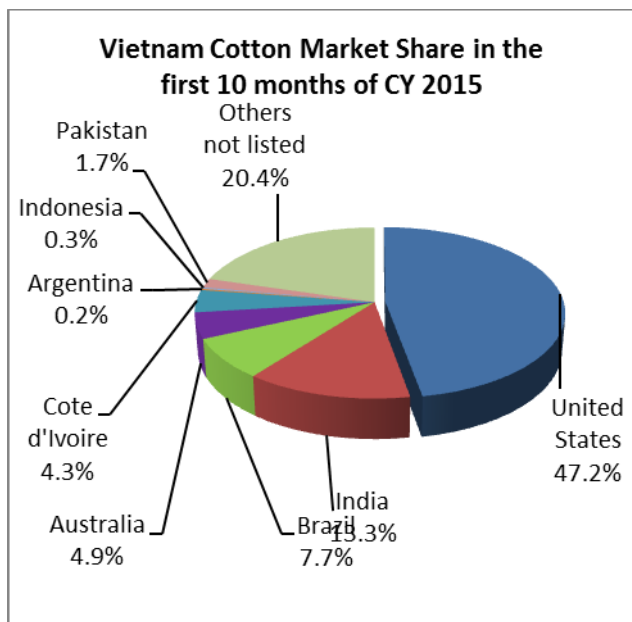
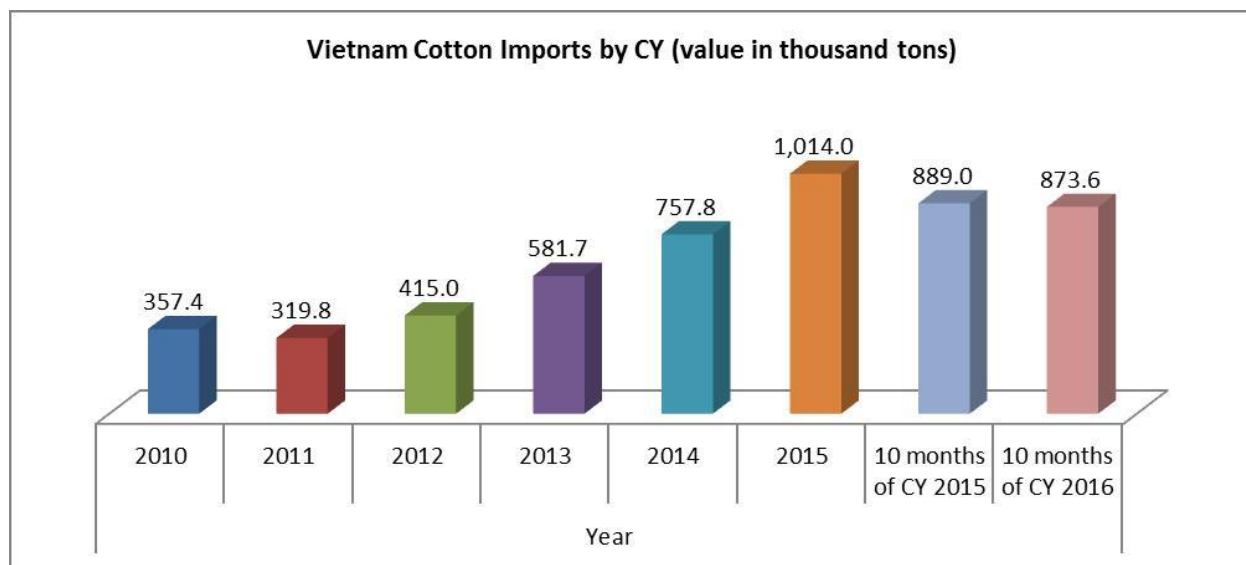
Country: Vietnam

Commodity: Cotton

Unit: Thousand tons

Reporting Country	Calendar Year		Year to date			Market share in the first 10 months of 2015	Market share in the first 10 months of 2016
	2014	2015	Jan - Oct 2015	Jan - Oct 2016	% Change		
United States	219	432	419.6	441.0	5%	47.2%	50.5%
Others							
India	156	137	118.1	93.0	-21%	13.3%	10.6%
Brazil	80	136	68.5	89.7	31%	7.7%	10.3%
Australia	78	48	43.5	89.4	106%	4.9%	10.2%
Cote d'Ivoire	24	28	38.0	31.2	-18%	4.3%	3.6%
Argentina	16	2	2.1	2.3	10%	0.2%	0.3%
Indonesia	5	3	2.7	3.8	41%	0.3%	0.4%
Pakistan	17	17	15.1	2.6	-83%	1.7%	0.3%
Total of others	376	371	288.0	312.0	8%	32.4%	35.7%
Others not listed	157	211	181.4	120.6	-34%	20.4%	13.8%
Grand total	758	1,014	889.0	873.6	-2%		

Source: Global Trade Atlas, Vietnam Customs and Post estimate



Vietnam imports of cotton by Marketing Year (August 2015-July 2016):

Vietnam imported a record of 998,800 tons (or 4.58 million bales) of cotton, valued at \$1.56billion in MY 2015/2016, an increase of 7 percent in quantity and 1 percent in value over the previous marketing year. In light of newly operated spinning projects in MY 2016/2017, Post forecasts Vietnam's cotton imports will increase to 1.1 million tons or 5.05 million bales in the MY2016/2017, up 10 percent over MY 2015/2016.

Table 7: Vietnam's Monthly Cotton Imports (MY2012/13 – MY 2015/2016)**Unit: Quantity in 1000 tons; Value in \$US million**

Month	2012/2013		2013/2014		2014/2015		2015/2016 *		Average price in 2015/2016 (US\$/ton)
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	
Aug	34.0	65.0	46.7	95.5	42.0	82.3	88.2	145.7	1.65
Sep	32.0	62.0	48.5	100.5	74.6	137.3	102.2	166.2	1.63
Oct	44.0	85.0	63.1	131.4	68.2	122.2	71.9	114.1	1.59
Nov	40.0	77.0	52.4	108.8	59.8	102.6	64.4	101.5	1.58
Dec	36.0	68.0	32.0	62.5	64.6	106.0	64.5	100.3	1.56
Jan	51.0	98.0	49.9	97.1	82.3	130.4	93.7	144.7	1.54
Feb	36.0	67.0	61.5	118.8	50.3	80.5	74.1	116.0	1.57
Mar	66.0	128.0	73.3	145.8	109.2	175.5	93.1	143.6	1.54
Apr	46.0	92.0	70.2	139.5	101.4	161.8	94.2	140.9	1.50
May	50.0	104.0	78.0	158.1	100.6	158.6	88.1	132.3	1.50
Jun	42.0	86.0	65.7	138.3	96.0	155.0	76.0	116.9	1.54
Jul	48.0	98.0	50.0	102.3	86.9	140.7	88.4	138.5	1.57
TOTAL	525.0	1,030.0	691.3	1,398.6	935.9	1,552.9	998.8	1,560.7	1.56
Yearly Average Price (US\$/ton)	1.96		2.02		1.66		1.56		
% change	49%	19%	32%	36%	35%	11%	7%*	1%	
Bales	2,408		3,171		4,293		4,582		

Sources: Vietnam Customs and other trade sources.

U.S. Cotton Exports to Vietnam

U.S. exports of cotton to Vietnam skyrocketed to a record-breaking volume of 432,000 tons in calendar year 2015, up 97% over the previous calendar year. This significant gain helped the U.S. increase its market share from 28.9% in CY 2014 to 42.6% in CY 2015 and partially offset the decline in exports to the other markets, such as China and Turkey where U.S. cotton exports in calendar year 2015 dropped 6% to 494,000 tons and 29% to 303,000 tons, respectively. The U.S. cotton success story in Vietnam in the calendar year 2015 is attributed to various factors including:

- cotton imports increased strongly to match a growing demand for cotton yarns from both domestic and export markets, specifically from China, Turkey and South Korea
- major spinners in Vietnam representing Chinese, Taiwanese and Korean investments, continue to favor U.S. cotton for its stable and premium quality, availability and competitive price
- reduced cotton export from India due to falling global prices

- Pakistan's cotton supply dropped significantly due to lower production caused by damaging outbreaks of whitefly

Although Vietnam's import of cotton is forecast to be flat in CY 2016, U.S. exports of cotton to Vietnam is likely to increase - considering that exports in the first 10 months increased to 441,000 tons, up 5% over the same period last year.

Table 8: U.S. Cotton Exports to Vietnam

	2010	2011	2012	2013	2014	Year to date		
						Jan – Sep 2014	Jan – Sep 2015	% change
Quantity (1000T)	132.9	133.2	126.6	214.7	219.3	419.6	441.0	5%
Value (\$million)	248.8	362.3	247.8	401.1	392.9	698.6	706.0	1%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, Vietnam Customs

Table 9: U.S Cotton Exports to Vietnam by Grades
(Quantity in tons)

HS Code	Product	Calendar year				Year to Date		
		2012	2013	2014	2015	Jan - Sep 2015	Jan - Sep 2016	% change
5201001090	Cotton > 1 < 1 1/8	80,905	115,999	160,499	222,099	193,838	212,754	10%
5201009000	Cotton Other > 1 1/8	42,474	94,060	55,660	207,948	182,402	189,688	4%
5201001025	Cotton < 1	2,986	3,878	775	628	628	3,552	466%
5201002030	Pima >= 1 3/8	212	760	1,810	1,276	655	1,916	193%
1404200000	Cotton Linters	0	4	7	12	9	11	17%
Grand Total		126,576	214,701	218,751	431,964	377,532	407,920	8%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Table 10: U.S. Cotton Exports to Vietnam by Grades
(Value in thousand US dollars)

HS Code	Product	Calendar year				Year to date		
		2012	2013	2014	2015	Jan - Sep 2015	Jan - Sep 2016	% change
5201009000	Cotton Other > 1 1/8	85,197	177,298	103,081	312,976	275,595	284,182	3%
5201001090	Cotton > 1 < 1 1/8	153,418	214,701	282,726	305,132	263,724	291,893	11%
5201002030	Pima >= 1 3/8	651	1,792	4,404	3,544	1,545	4,033	161%
520100102	Cotton < 1	8,423	7,301	1,606	863	863	4,334	402%

5								
140420000	Cotton Linters	0	3	7	11	8	9	13%
0								
Grand Total		247,689	401,095	391,824	622,526	541,735	584,450	8%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

U.S. cotton exports to Vietnam in MY 2015/2016 reached 421,013 tons (or 1.93 million bales) for a value of \$598 million, a year-on-year increase of 4 percent in quantity and 1 percent in value. The growth rates were much lower than the previous forecast growth rate of 20% due to lower than expected growth in yarn exports MY 2015/2016, which was 11% versus 18% in the MY 2014/2015. For MY 2016/2017, Post forecast U.S. exports of cotton to Vietnam to increase about 10% over MY2015/2016.

Table 11: U.S. Cotton Exports to Vietnam by Marketing Year

	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	% Change 2016 versus 2015
	Aug-Jul	Aug-Jul	Aug-Jul	Aug-Jul	Aug – July	
Quantity (1000 tons)	113.3	194.7	222.7	404.8	421.0	4%
Value (\$ million USD)	248.4	350.2	420.0	591.2	598.1	1%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

CONSUMPTION:

Vietnam's domestic cotton consumption continues to increase in order to meet strong demand from its expanding textile industry. Demand for yarns is strong, both for the export and domestic markets. Vietnam is one of a very few countries in Asia that have expanded their yarn spinning sector in recent years. Currently, there are 100 spinning mills with about 6.3 – 6.5 million spindles (equivalent) for an estimated capacity of over 900,000 tons of cotton-based and man-made yarns in Vietnam. Industry experts estimate that new and existing spinning projects registered in 2016 will increase the number of spindles in Vietnam from 6.3 – 6.5 million in 2014/2015 to 8.27 million in 2016/2017.

Vietnam's cotton consumption has been increasing strongly at an average rate of 22 percent, per year, for the last five years. Domestic cotton consumption for MY 2014/2015 reached 935,900 tons, equivalent to 4.29 million bales, valued at \$1.55 billion, a sharp increase of 35 percent in quantity and 11 percent in value over the previous year. Vietnam's cotton imports in MY2015/2016 increase to nearly 1 million tons, up 7% over MY 2014/2015, but less than 1.17 million tons that Post forecasted in the annual report. This situation is attributed to increasing Vietnam yarn exports to China, up 17% to 559,600 tons in MY 2015/2016. However, the increase was much lower than the growth rate of 40% in MY 2014/2015. The table below shows in marketing year, Vietnam's exports of yarns to its largest importer- China.

Table 12: Vietnam's exports of yarns to China

Month	2013/2014	2014/2015	2015/2016
Aug	28.0	39.3	44.7
Sep	26.9	38.1	42.3
Oct	28.8	37.9	42.3
Nov	27.5	39.6	41.1
Dec	29.4	39.9	44.8
Jan	20.7	39.6	42.0
Feb	27.6	22.2	31.5
Mar	32.0	44.4	53.2
Apr	31.2	42.5	52.0
May	25.0	47.5	52.1
Jun	26.2	43.3	55.7
Jul	37.1	43.9	57.9
TOTAL	340.4	478.2	559.6
Variation in tons		137.8	81.4
% change		40%	17%

Source: Vietnam Customs and Post estimates

Post forecast Vietnam cotton consumption to ramp up by 10 percent in MY 2016/2017 over MY 2015/2016 based on several key factors including: 1) China continues to import yarns from Vietnam at a lower growth rate due to Chinese yarns becoming more competitive, 2) global cotton price is likely to stable at a low level, 3) additional spinning capacity.

Higher exportable supplies of U.S. cotton in MY 2016/2017 to the global markets in general and to Vietnam in particular are expected as production is projected to increase about 10 percent, price is likely stable at low level and stocks remain flat. These three key elements will definitely support the U.S. export of more cotton to the growing Vietnamese market. Post forecasts U.S. cotton exports to Vietnam will reach another record in the MY 2016/2017 at an estimated rate of 10 percent.

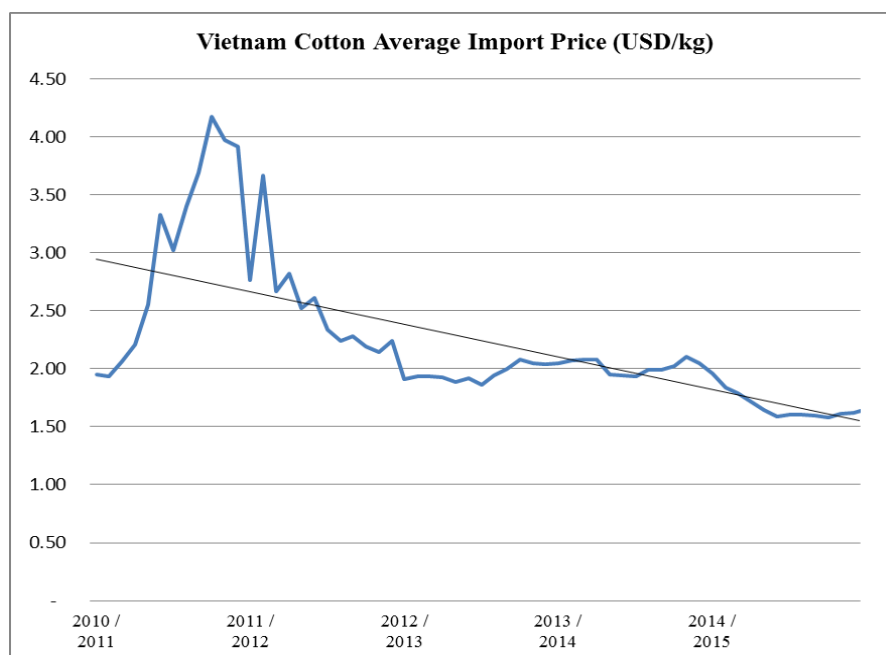
PRICES

Table 13 illustrates monthly average price of cotton imported into Vietnam in recent marketing years. Cotton import price decreased steadily during MY 2015/2016.

Table 13: Cotton Average Import Price in 2011-2016**Country: Vietnam****Commodity: Cotton****Unit: USD / Kg**

Month	Marketing Year					
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Aug	1.95	2.76	1.91	2.04	1.96	1.65
Sep	1.93	3.67	1.94	2.07	1.84	1.63
Oct	2.07	2.67	1.93	2.08	1.79	1.59
Nov	2.21	2.82	1.93	2.08	1.72	1.58
Dec	2.55	2.52	1.89	1.95	1.64	1.56
Jan	3.33	2.61	1.92	1.95	1.58	1.54
Feb	3.03	2.33	1.86	1.93	1.60	1.57
Mar	3.40	2.24	1.94	1.99	1.61	1.54
Apr	3.69	2.28	2.00	1.99	1.60	1.50
May	4.18	2.19	2.08	2.03	1.58	1.50
Jun	3.98	2.14	2.05	2.11	1.61	1.54
Jul	3.92	2.24	2.04	2.05	1.62	1.57
Average Price	3.02	2.54	1.96	2.02	1.66	1.56
		Exchange rate: 22,650 , local currency / US dollar as of December 01, 2016				

Source: Vietnam Customs Department & Vietnam Commercial Bank



Domestic Prices:

Price of seed cotton continued to decrease from \$0.49/kg in MY 2014/2015 to \$0.40 in MY 2015/2016, down about 8%. The domestic price for cotton continues to be influenced by international prices because domestic cotton production is negligible - less than 1% of the total cotton consumption.

STOCKS:

Bank interest rates gradually softened towards the end of MY 2015/2016, allowing cotton users and traders to carry larger inventories. However, stocks-to-use ratio is forecast at a lower rate due to the following reasons:

- Cotton price has rapidly declined as China has reduced cotton imports. There is growing concern among businesses in the sector that price could decline further. As a result, local spinners do not want to keep large stocks, which would lower their profitability.
- China's import reduction seriously affects global reserves. In other words, local importers can easily and competitively source cotton and, therefore, do not need to keep large stocks.

Post estimate the stocks-to-use ratio in MY 2016/2017 remains low at about 15 percent

MARKETING/ POLICY:

Tariff on Cotton

Cotton lint (HS code 5201 and 5203) has a zero tariff but a 5 percent value added tax is assessed.

Tariff on cotton yarn

Cotton yarn (HS code 5205-5206-5207) has a 5 percent tariff and a 10 percent value added tax.

Biotech Policy and Cotton Production

Commercialization of biotech cotton is not yet approved in Vietnam. However, confined field trials for biotech cotton are authorized. To date, field trials have not been conducted. For more information on agricultural biotechnology in Vietnam, please refer to the USDA Gain Report

“Vietnam Agricultural Biotechnology Report” VM4020 dated August 6, 2014.

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual%20Report%20Hanoi%20Vietnam%208-6-2014.pdf>

PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:

Table 14: Vietnam's Cotton Production, Supply and Demand

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	1
Area Harvested	1	0	1	1	1	1
Beginning Stocks	498	498	676	601	779	677
Production	3	3	3	3	3	3
Imports	4275	4293	4500	4581	5000	4881
MY Imports from U.S.	0	1859	0	1931	0	2124
Total Supply	4776	4794	5179	5185	5782	5561
Exports	0	0	0	0	0	0
Use	4100	4193	4400	4508	4900	4835
Loss	0	0	0	0	0	0
Total Dom. Cons.	4100	4193	4400	4508	4900	4835
Ending Stocks	676	601	779	677	882	726
Total Distribution	4776	4794	5179	5185	5782	5561

Source: FAS, Official USDA's estimate and Post's estimate

Note for unit measures:

- Planted area/Harvest area: 1,000 ha
- Yield: kg/ha
- Beginning stocks/Production/Imports/ MY imports from U.S/ Total Supply/Exports/Use/Total Domestic Consumption/Ending Stocks/Total distribution: 1,000 bales (480-lb bale equivalent to 218-kg bale)